Canadian Centre for Foreign Policy Development
Centre canadien pour le développement de la politique étrangère

125 Sussex Dr. Ottawa, Ontario K1A 0G2

CANADIAN CORPORATE CONTRIBUTIONS TO DEMOCRATIC DEVELOPMENT AND CITIZEN PARTICIPATION IN DEVELOPING COUNTRIES:

RECOMMENDATIONS ON IDENTIFYING AND SUPPORTING CORPORATE EFFORTS THROUGH CANADIAN FOREIGN POLICY

Darin Rovere, Centre for Innovation in Corporate Responsibility

September 26, 2000

Ottawa, Ontario

2002.10E

ISBN: 0-662-31007-1
E2-419/2001E

Tel: (613) 944-8278
Internet address: http://www.cfp-pecge.ca Fax: (613) 944-0687

Report Background

The following report is based on the findings of cross-country consultations conducted by the Centre for Innovation in Corporate Responsibility (CICR), in collaboration with the Canadian Centre for Foreign Policy Development.

The purpose of this report is to provide recommendations based on these consultations by which DFAIT and the Canadian Federal Government can act as a catalyst to encourage, support and reward further positive corporate sustainability efforts through enhancements to Canada's foreign policy.

The report also outlines basic findings regarding the positive role of Canadian companies in contributing to democratic development and citizen participation in developing countries through their commitment to sustainable development and stakeholder engagement in corporate decision-making.

Consultations involved roundtable discussions and one-on-one interviews with forty-two participants outlined in Appendix II. While the primary focus was on the private sector (twenty-eight participants), the research also involved participants from civil society groups, academia, government agencies and youth. The guiding questions for the roundtables and interviews can be found in Appendix I.

The Centre for Innovation in Corporate Responsibility works in partnership with business to enhance business performance through socially and environmentally responsible business practices. CICR specializes in international, and particularly developing country, corporate responsibility management. CICR provides training and consulting services to businesses in the development of stakeholder engagement management systems and Sustainability management systems, conducts research and consultations to provide program and policy recommendations for the Canadian government, and provides services to NGOs relating to the development of business-NGO partnerships, codes of conduct and corporate funding criteria.

Centre for Innovation in Corporate Responsibility
September 2000
Telephone: (613) 276-6080
Fax: (613) 563-9218
Resource Centre: www.triplebottomline.com

"CICR - Enhancing Business Performance through Responsible Global Business Practice"

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Executive Summary

Overall, participants agree that a sustainable approach in the developing world simply makes good business sense and that *sustainability* - maximizing economic value-added as well as societal and environmental value-added - is not just about protecting value, but about creating value. There is consensus among companies that a need exists to broaden the focus on corporate responsibility beyond solely business to include other stakeholder groups – at home and abroad. There is also consensus that any unilateral Canadian legislation would not be the best means of contributing to sustainable development at this time. There are differing opinions in terms of what kind of organized approach makes the most sense to promote sustainable practices, or how to best strike the balance between the desire for independent market-led innovation and the need for application of external pressures beyond the market to influence marginal players.

With respect to competitive advantage regarding sustainable practices in the global marketplace, there is agreement that Canadian companies are currently well positioned, albeit in an increasingly competitive environment. Canadian companies highlight their perceived 'lack of an agenda' as a key advantage as compared to their American or European counterparts. In addition, a high willingness to engage with stakeholders is supported by a generally high quality of Canadian engagement with stakeholders. Concern for reputation is a key motivator that keeps Canadian companies ahead of the competition as well as a strong willingness to transfer, to share, and to promote Canadian practices with local stakeholders.

Key Recommendations - Government to Support Business
Provide a framework to model and reward positive business contribution:

- Encourage a policy of engagement by companies
- Promote the business case for sustainability
- Encourage the development of stakeholder management systems
- Encourage the development of sustainability management systems
- Encourage focus on maximizing the net sustainable value-added
- Encourage accountability and transparency
- Promote use of international codes
- Leverage Team Canada missions

Key Recommendations - Government to Support Government
Promote and educate domestic and foreign government players:

- Level the playing field – accelerate the laggards
- Work to influence international organizations
- Build on Canadian reputation by encouraging sustainable practices
- Track Canadian competitiveness in terms of sustainability practices
- Provide training
- Consult across sectors

Key Recommendations - Government to Support NGO's
Support capacity development and accountability of the NGO sector

- Promote accountability, joint responsibility, and stakeholder prioritization
- Identify gaps in accountability
- Work with NGO's to develop management frameworks and expertise
- Promote Business – NGO dialogues and collaborative efforts

Globalisation - Transformation - Engagement - Sustainability

In a rapidly expanding global economy, there are growing tensions regarding the power of business in terms of economic, social and environmental impact and in terms of sharing leadership to create a more just and sustainable world. These tensions are growing out of a broader transformation crossing economic, political, and social institutions – expanding capital markets, pressure for ethical behavior from increasingly skeptical consumers, the civil backlash against the disparate outcomes of globalisation, the rapid growth and speed of global communications, and the suspicion that business is becoming too powerful and meddling with the historical terrain of federal and international governing bodies.

This is particularly sensitive in the operations of international companies in the developing world. The cross-Canada consultations of this research determined that in the course of their day to day operations in the developing world, companies interviewed are increasingly seeking ways to further improve economic and social conditions within their spheres of influence - building infrastructures, transferring technology and providing services required for citizen participation and democratic development. Critical to this process is the practice of engaging stakeholders – local communities, employees, business partners, governments, clients, NGO's and others affected by the company - in corporate decision-making. Investment in stakeholder engagement is expected to deliver returns of sustainable value creation across the societal, economic and environmental dimensions, benefiting the company, the community, and the developing country.

Where Companies Agreed

The Business Case: Sustainability is Good for Business

In principle, the Canadian companies interviewed universally agree that consideration of the optimal balance of economic, social and environmental contributions and respective impact of a company is good for business and ultimately enhances shareholder value. Companies acknowledge increasing recognition that the best means of determining the value-maximizing balance of this 'triple bottom line' or 'sustainability' is through stakeholder engagement: stakeholder involvement in decision making and solutions implementation, in accountability and in reporting. There is also agreement that a demonstrated commitment to stakeholder engagement and sustainable development practices will increasingly have a direct impact on future business opportunities, attracting and retaining quality senior management and employees, attracting investors and financial institutions, building stakeholder relationships, competitive advantage, corporate reputation and shareholder value.

Sustainability is Not Just Protecting Value - It is About Creating Value

Companies indicate there is a high degree and variety of innovation with respect to corporate responsibility initiatives in different industries at this time. In general, the fundamental shift in corporate thinking currently underway is a shift from perceiving corporate responsibility as a cost centre to embracing sustainable practices as a significant and still largely untapped source of value generation. The 'save today, pay later' approach is increasingly recognized as an unsustainable and expensive strategy when it comes to the cost of operational restructuring down the road (for example re-fitting a facility or cleaning up environmental damage) or the costs of rebuilding a corporate reputation or regaining stakeholder trust. This shift in thinking is driving companies to innovate on a global level, to set standards for international practices, and to stay ahead in the global competitive arena. The implication is that government action need not focus solely on negative or punitive approaches, but indeed may find the greatest receptivity and maximized impact through influencing positive approaches.

Need to Broaden the Context Beyond Business

There is also general agreement amongst companies that if the goal is ultimately to accelerate private sector focus and attention on all elements of sustainability (economic, social, and environmental), then the issue of corporate responsibility needs to be considered within a much broader context than the current debate. There is a sense that the onus is being placed squarely on business without considering the roles, responsibilities, required actions, and positive incentives that could be undertaken by other actors in Canada and worldwide. Companies interviewed were generally enthusiastic and committed to managing corporate sustainability, providing that other actors also undertook the necessary challenging steps to support the constructive advancement of the corporate sustainability agenda.

Unilateral Canadian Legislation is Not Appropriate at Present Time

While there was strong mixed feelings among Canadian companies about the possible benefits or likelihood of further related legislation in the longer term (and whether this would perhaps well-serve Canadian corporate interests and maximize human development impacts, depending on implementation and timing) these same companies feel strongly that neither the present time nor the present types of legislation being considered are appropriate. Further legislation would no doubt act as a catalyst for further corporate sustainability, but not in a way that allowed Canadian companies to maximize their positive impacts across social, environmental, and economic realms. For example, unnecessarily high standards might act as a deterrent or cause loss of contracts / low success rates due to uncompetitive (when viewed narrowly by buyers) bids. This would reduce Canadian trade and investment and corresponding shared economic, social, and environmental benefits – including corporate Canada's leadership brand of transferring standards and enhancing local capacity (versus the approach of a foreign company). A

superior alternative would be an approach that succeeded in acting as a catalyst for further corporate sustainability in a way that maximizes Canadian corporate contributions to sustainable development and their overall positive impact on the global economy's transition to sustainability.

Where Companies Disagreed

What Kind of 'Organised' Approach Makes the Most Sense?

While there was agreement that there is a need for a more 'organised' approach to promoting sustainable practices and increasing stakeholder engagement, there is lack of a broader consensus in terms of what a more organised approach would look like, what incentives would be meaningful to companies, and what kinds of timelines for regulation - if required - would make sense. Many companies believed the best approach would be continuing to innovate and develop leading international practices ahead of the market, while others believed that this could be complimented by guidelines, shared learning and stronger incentives to promote broader sustainable development and stakeholder management practices. Companies indicate that while they stood by their own efforts and commitments, they acknowledged a wide variety of application of these practices generally – positive and negative - in the operations of Canadian companies in the developing world.

Independent Innovation Critical

While there is some level of expectation amongst some companies of eventual legislation, those companies seeking to innovate independently believe it is important that they first be given the space to build effective management and measurement systems. Many believe their practices in these areas are well ahead of Canadian standards, but even if the government wanted to legislate time is required to ensure that strong management and measurement systems are in place prior to any legislation. There are concerns of a serious risk in the scenario that more stringent regulations be instated too soon, not just relating to their operations but particularly to forced reliance on other actors who are not in a position to respond effectively. There is also concern about a resulting "homogenisation and lowering of standards" if there was an attempt to hold all industries accountable to the same standards. Many of these companies currently look to international standards to develop corporate governance codes, environmental and social indicators, and stakeholder management systems, and think that Canadian efforts should not go into unnecessary duplication when resources could be spent in other ways.

Need to Apply External Pressures Beyond the Market

Other companies believe there is a need to continue to put external pressure on the private sector – over and above market forces – to apply creative and innovative practices. There was agreement that the application of positive incentives could serve to

influence more Canadian companies to integrate these practices into their operations today. Some suggestions have been raised with respect to setting specific parameters on obtaining financial support to help influence the focus of international corporate practices in a positive direction. Models cited included CIDA and World Bank projects that require certain amounts of financing be spent and actions taken on addressing environmental issues, social development, etc. The influence of financial institutions and investors (and consumers, including governments) is also perceived as an important leverage point to encourage action by a broader spectrum of Canadian companies.

The Canadian Competitive Advantage

Companies consulted believe that in order to remain competitive in the global marketplace, attention to responsible corporate practices simply makes good business sense – for their shareholders, for their stakeholders, for their reputation, and for sustainable markets of the future. Democratic development and citizen participation are seen as integral to developing a strong world market and stable social order. Consultations indicate that the unique Canadian competitive advantage is based in part on prior experience inside Canada regarding First Nations community negotiations and multicultural sensitivity, as well as on the strength and reputation of Canadian institutional models (legal, environmental, participative approach, etc). In addition, continuing sensitivity to the application of 'Canadian Values' in the international sphere is an important factor in building trust that leads to competitive advantage.

As other countries are actively working to develop competitive advantages in these practices, companies believe it is important that Government not develop restrictive actions that may weaken Canadian competitive advantages as outlined below. Perceived competitive advantages include a 'lack of baggage', concern for reputation, a democratic approach, the quality of stakeholder engagement, and willingness to transfer standards.

Perceived Lack of an Agenda

The perceived 'lack of an agenda' of Canadian companies was highlighted as a key to competitive advantage in terms of creating the space to negotiate, to innovate, and to develop relationships and trust critical to success. Canadian companies do not bring the same baggage as American firms, per se, due to the intermixing and involvement of the U.S. government, and are less concerned with maintaining centralized control as found in many European companies.

Concern for Reputation

Universally companies stated that reputation counts, and that building a reputation is no longer about public relations but about mainstream business strategy – at home and abroad. Genuine concern for international reputation was often cited as the motivator that keeps Canadian companies welcome in developing countries, minimizing risks, retaining and attracting quality staff, resulting in a reputation that in general is trusted and well-received. One company quoted Warren Buffet: "Our reputation is our only asset. Without it, we are worthless."

A Policy of Engagement

Canadian companies tend to bring a policy of engagement in general, and are seen to be prepared and willing to act as facilitators, not as 'dictators', of a project or operations' development. This willingness to create the space to develop trust and relationships, for innovation and local input, demonstrates respect for the authority and the autonomy at both senior and local levels of the host government, and for the local citizens. Many companies believe Canada's role as a second tier power actually plays to advantage with respect to experience in seeking consensus. Canadian companies are also perceived to focus on helping to provide resources and opportunities for local citizens to govern, as opposed to acting as a replacement for local government. Adherence to this democratic mindset is believed to come from the fact that Canadians operate from a background and culture of law, justice, and ethics, and a willingness to not just speak to the major players but also to the poor and disenfranchised.

Quality of Stakeholder Engagement

Canadian companies believe they are perceived to be more willing to trust the broader stakeholder groups to help in decision-making and implementing versus many European and American firms intent on higher levels of centralized control. Stakeholders prefer Canada's supportive approach, and willingness to be involved in a constructive, non-judgmental way. Canadian firms are seen as straightforward and honest in dealing with their communities with a demonstrated support for developing an educated workforce as a means to increase citizen participation over the long-term. Canadian representatives' willingness to share ownership, and/or hand over the lead over the course of project development is also seen as advantageous.

Willingness to Transfer Standards

Canadian firms are bringing Canadian and international standards, as well as a uniquely Canadian way of doing business, to the communities and countries in which they operate. There is a high willingness to transfer good practices, to promote higher standards and education on social and environmental issues. Canadian companies bring knowledge and respect for the environment, as well as an understanding of the key issues and regulations that can be shared with host governments and local stakeholders. In addition, Canada's stringent regulations make Canadian operations abroad that utilize similar technology and management systems (as in Canada) look very positive, and not as if Canadian companies are just going out to placate local stakeholders for the short term.

Recommendations

I. Government to Business
Provide a Framework to Model and Reward Positive Business Contributions

Consultations indicate that Canadian businesses believe they are making important inroads and developing competitive advantage by increasing citizen engagement and democratic development through a combination of actively sharing and investing in best practices (environmental, legal, social, economic) and seeking to engage stakeholders in long-term relationships in developing country operations.

However, opportunity exists to strengthen understanding and promotion of the business case for sustainable practices, and to strengthen other components of the business case such as the development of management and measurement systems, leveling the playing field, growing capital markets support and consumer support, and increasing NGO accountability. In addition, there is opportunity to encourage building management systems to support accountability and transparency in the long term.

Encourage a Policy of Engagement

Building on current Canadian competitive advantage, and current government policy, focus on creating and promoting effective types of engagement in developing countries. The development of sustainability measurement and stakeholder engagement management systems is a global trend being pursued and invested in aggressively by leading companies (for value added reasons). It is important for both engagement, management, and measurement to ensure the strengthening of a key Canadian corporate competitive advantage.

Promote the Business Case

Promote the growing business case for sustainability and for stakeholder engagement. This business case involves maximizing net sustainable value-added which leads to greater shareholder value added, and companies will only maximize sustainable value-added by maximizing all sources of potential value (social, environmental, and economic). There is a great opportunity to highlight those Canadian companies pursuing these practices to positively influence other companies to follow, to share best practices, and strengthen the Canadian competitive advantage overall.

Encourage the Development of Stakeholder Management Systems

Promote and encourage companies to pursue social and environmental accounting, auditing, and reporting, (or combined as Sustainability reporting (social, environmental, and economic)) in partnership with stakeholders. Promote and encourage the Stakeholder Engagement model and increase understanding of stakeholders, management systems, and global trends.

Encourage the Development of Comprehensive Management Systems for Codes of Conduct

Build on the development of stakeholder management system and dovetail these with current financial and other management systems. These comprehensive practices will support business in meeting due diligence requirements, reducing risk, and creating new opportunities for innovation and engagement. In addition, this also creates the potential for government to consider additional options related to Codes and their verification processes that can be met and managed by business because this foundation work has been previously put in place.

Encourage Focus on Maximizing Net Sustainable Value Added

Encouraging management systems that focus on all aspects of sustainability (economic, social, and environmental) and on finding the right balance to maximize net sustainable value added will deliver the greatest contribution to human development, and does the most to achieve short and long term shareholder value. With management systems in place to manage this the stage is set for effective legislation of sustainable practices if and when that may happen.

Encourage Accountability and Transparency

The above recommendations encourage corporate accountability and transparency in ways that seek both management and maximization of sustainable value added (across economic, social, and environmental spheres) across business, government, NGO's and other stakeholder groups. Legislation does not maximize this value. These approaches serve to promote the business case, and allow for accelerated innovation, flexibility, and creativity in the development of management and measurement systems. In addition, they continue to build on the 'no baggage' and policy of engagement approach of Canadian competitive advantage. It allows business to focus on growth and profitability within an operational environment that respects and promotes Canadian foreign policy.

Promote International Codes

Many companies believe it is not necessary to write a uniquely Canadian Code for all businesses across all industries as there are excellent international models in place (i.e. OECD, WBCSD, etc) that can be accessed easily and there is a strong argument for moving to international standards. The Canadian International Code of Ethics is seen by some as a good model, and an excellent wake-up call for all Canadian companies, but largely extractions-industry focused. As such, this Code works well for these industries but it is not seen as readily applicable to other Canadian industries looking and leading internationally (e.g. Hi-tech, Telecommunications).

Of significant concern to Canadian companies is the challenge of competing against businesses that do not maintain agreed to international standards or when Canadian

companies lose to a competitor with lower standards even though the Canadian company meets or exceed the higher Canadian or international standards. Corporate social responsibility is advantageous up to a point, but without the pressure to level the playing field, benefits can top out and stifle incentives. Raising Canadian standards legally or unilaterally right now will neither help meet Canadian foreign policy development goals nor help Canadian business nor enhance our international influence.

Leverage Team Canada Missions to Promote Good Practitioners, Practices

Provide country specific information packages on corporate social responsibility and corporate sustainability. Leverage the Sustainability and Stakeholder Management Guide for use across sectors to increase understanding, consistency, and adherence to best practices.

Some Specific Recommendations

Develop a Sustainability and Stakeholder Management Guide in conjunction with leading business practitioners and NGO's. Specifically:

- demonstrate the business case for implementation of sustainable business practices that simultaneously help achieve foreign policy goals
- outline the key success factors, benefits, challenges, models, terminology in developing stakeholder engagement management systems and Sustainability management systems to maximize net sustainable value-added
- outline qualitative and quantitative Canadian and international standards
- outline case studies of Canadian best practices in different industries, demonstrating step by step efforts
- outline tools available to promote stakeholder relationships and management systems
- develop an interactive website (for example, addition to *strategis.ca* site)
- promote use of the Guide through government and business agencies and associations
- include as educational material on Team Canada missions
- support stakeholder dialogue initiatives at home and in the developing world

Reward businesses that are working to make contributions to democratic development and citizen participation. Consider:

- promote these companies, highlight them on the international level
- offer priority services for those companies demonstrating excellent practices (reducing timelines for government service delivery, for example)
- ease access to Trade missions and developing country services
- promote their name internationally with respect to potential contracts
- showcase their best practices of stakeholder management systems to foreign governments, NGO's, stakeholder organisations

Sponsor International Conferences, National Fora on Sustainable Development, Stakeholder Management, Measurement and Accountability, etc:

- bring attention to Canadian practices and put these issues on the radar screen in Canada
- promote cross sector participation
- work to raise global standards by building knowledge and capacity of business, government, and other actors in other countries to address these issues and this business opportunity (which in turn helps upwardly level the playing field)

Recommendations

I. Government to Government

Promote and Educate Domestic and Foreign Governments

The government is seen to be open to working effectively with international agencies, and provides strong traditional support for Canadian business in developing countries. There is an opportunity to increase understanding by DFAIT representatives on sustainable development and stakeholder issues to provide more substantive influence to host country governments and to support to Canadian companies in-country as these issues grow in importance.

Concern exists about the potential over-promotion of 'Canadian Values' when International Standards are more globally applicable, measurable, and acceptable and there must be respect for local systems and norms. Canadian companies agree that while the Canadian approach is very well respected, something in which they take pride as generally this is seen as inclusive and ethical, there is an important difference between the values of the Canadian people and companies, the broader international standards they must continually strive towards, and the realities of the social, economic, and political institutions of the developing country.

There is a strong role for DFAIT to educate, promote, and influence at the government-to-government level so that developing country governments will embrace these positive practices and understand the broader positive outcomes for the country and its citizens, and so that the Canadian government representatives can better communicate this more regularly to other governments and to Canadian business. The Canadian government must consider the consequences of legislating beyond international standards in terms of potential trade conflicts, and whether the battles that may emerge will be worth the extra resources and attention that would otherwise go towards influencing positive contributions to sustainable development.

Level the International Playing Field - Accelerate the Laggards; Inclusive markets

Canadian companies who are generally leaders in this field would benefit from a 'level playing field' to accelerate the mostly foreign laggards and to compete effectively. This is also the case, for example, in bribery and corruption. Canadian companies by and large are not paying bribes, while their foreign competitors are and as a result Canadian companies are losing business. The new OECD agreement and its enforcement will help to address this, but this is important across all areas of corporate responsibility and government plays a key role in helping bring global business standard - and particularly practice - to the Canadian business level.

Continue to Work to Influence International Organisations

Continue to work with international organizations (International Financial Institutions (IFIs), WTO, OECD, etc) to influence adherence to and raising of international standards

and international codes based on excellent Canadian practices. Pressure IFIs and other world and multilateral bodies to recognize and understand the importance of action in the broader, longer term and the growing implications for the developing world.

Build on Canadian Reputation with the Encouragement of Sustainable Practices

By focusing on a level playing field at the international level, Canada maintains its position of familiarity and reputation as a second-tier nation that does not force standards but leads progressively to constantly raising the bar in a sustainable way in which all countries can be involved. This approach, combined with its encouragement of Canadian companies working with businesses in developing countries, raises standards and maximizes social, economic, and environmental benefits in the course of regular operations. This demonstrates a dual approach that is mindful of developing country concerns and builds on Canadian competitive advantages as outlined previously.

Track Canadian Competitiveness in terms of Sustainability Practices

Put systems in place to track Canadian corporate competitive advantages in terms of sustainability as a means to focus Canadian diplomatic efforts in areas of Canadian strength in terms of raising international standards. This is in line with current government efforts to track Canadian competitiveness, with the exception that this would track a type of progress within each industry and across industries, rather than an industry itself. Such a strategy would ensure greater political support across stakeholder groups for Canadian diplomatic efforts: for example, business is supportive as it supports progress in its areas of competitive advantage, while NGOs are supportive in that the government is seeking to advance the Sustainability agenda. This is in contrast to the current government positioning, which is often 'between a rock and a hard place'.

Provide Training

Champion and provide training on the importance of sustainable development and stakeholder management issues as a competitive and societal advantage to DFAIT, other domestic and in-country personnel to provide more substantive support to companies. Educate and promote on the business case and downstream benefits at the government-to-government level to influence developing country governments to be supportive of these positive practices.

Consult Across Sectors

Continue to consult with business and the NGO sector. Model participative practices and play an active role in fostering business-public partnerships. Promote collaborative approaches between organizations. Support pilot projects, innovative alternatives, and projects to improve and systematize stakeholder engagement and to develop credible mechanisms for business-NGO collaboration (i.e. management systems).

Recommendations

III. Government to NGOs

Support Capacity Development and Accountability of the NGO Sector

There is much attention being paid today to the calls by NGOs for the need for external verification of corporate operations by NGOs themselves. In principle, companies interviewed are not opposed to verification of sustainability or stakeholder management systems and some are either actively engaged in the development of third-party verification systems, or already have some components in place. Regarding the role of NGOs however, concerns exist.

Corporations generally encourage movement towards more systematic sustainability management systems and stakeholder engagement management systems, and their ultimate verification by third parties (not necessarily NGOs, but indeed a mix of traditional and non-traditional stakeholders), but are opposed to immediate legislation of this practice. The sense is that immediate legislation could not be effectively implemented, and that resources would be better spend over the immediate years in building corporate, government, and NGO infrastructures to be both prepared for longer term global international law and standards, and prepared to compete and contribute in a global economy that fully factors sustainability.

Concerns Regarding the Role of NGOs – Accountability, Stakeholder Priority, Joint Responsibility

Accountability

- The perception that NGOs do not currently meet same standards of public accountability that companies must.
- When engaged by corporations, NGOs often lack capacity, expertise, and perspective to contribute significantly to solutions, and are still finding this role to be difficult.
- An increasing number of cases of NGOs putting forward their own unverified information - proven to be inaccurate - into the public domain at the expense of companies. NGOs must also be held accountable for their actions and must be prepared to be as transparent and accountable as business. Today, NGOs have public trust but are lacking in management systems to ensure credibility on the accountability front.
- For the above reasons, the companies' perspective is that NGOs themselves are not equipped for the legislation they wish to see enacted (regardless of the merit of their proposals on a long term basis).

Stakeholder Priority

- Canadian NGOs often do not directly represent the interest of stakeholders who are most directly affected or most directly affect corporate operations. Canadian companies prefer to deal directly with local actors, be they NGOs, community

representatives, religious organizations, etc. Furthermore, imposed standards by Canadian NGOs largely removed from direct activities, or extended Canadian law, may not result in the maximized contribution to human sustainable development.

- This raises the issue to what extent Canadian NGOs should be involved in dialogue, and participation in any formal verification, particularly legislated verification, if they are not a key stakeholder where the company is operating? In the majority of cases there are no Canadian NGOs present to serve in such a role, and if they are present are still not likely to be the best stakeholders for this role.
- Canadian companies interviewed feel the best way to determine the maximum balancing of social, economic, and environmental is to work primarily with key stakeholders and experts as NGOs are largely not considered to have the required expertise.

Joint Responsibility and Verification, Versus Looking over the Corporate Shoulder

- Business considers that an expected outcome of stakeholder engagement are decisions that are understood and agreed to as far as possible with key parties, and that involve solutions that allocate tasks and joint responsibilities not just to the corporation but to many or all stakeholders.
- As such, business views these efforts as 'joint ventures' with stakeholders to achieve maximum net-sustainable value added. In accordance, any envisioning of verification systems (legislated or not legislated) would not only have third-parties verifying corporate actions and reporting of those actions, but also of verification systems that demonstrate each of the stakeholders' progress towards their responsibilities (i.e. verify the NGOs or other actors).
- In the case of failure to meet sustainable value goals, this may not be of any fault of the company - emerging frameworks must be able to detect and reflect this. Furthermore, corporations already face vigorous accountability across a wide spectrum of fields.
- Agreement to integrate stakeholders into joint solutions implementation puts a corporation at significant added risk (for example, relying on a local NGO to provide environmental information facts required by law) and involve these groups taking on the same level of accountability as corporations, which must be managed and reflected.

There is instead a need to remain open to, and in particular, to encourage new and innovative ways of developing stakeholder relationships and to support both business and NGOs in these developments. With this in mind, the following recommendations are put forth.

Identify the Gaps in Accountability

Government must clearly communicate to NGOs that in regards to areas where NGOs feel they should be granted or legislated increasing responsibilities (for example, within a verification process) that significant gaps exist in NGO levels of accountability (for example, verification of information shared regarding corporations) and in their levels of

expertise and experience. Change must occur in the broader context, within NGOs as well as business, before significant steps forward in achieving human development goals will be reached, and before any potential future legislation can be effective. Without this clear communication government will find itself between the 'red-lines' of negotiating parties with little chance of bridging the divides and making true forward progress.

Work with NGO's to Develop Management Frameworks and Expertise

Beyond communication, work with NGOs in similar ways to suggestions for working with corporations to encourage development of the required management frameworks and expertise (beyond what is mentioned above, many of the same challenges (and often-times greater challenges) face Canadian and foreign NGOs - bribery and corruption within NGOs, failure to achieve results, failure to properly engage stakeholders...)

Promote NGO – Business Dialogues, Collaborative Efforts

Act as a catalyst for business-NGO dialogue, working together towards understanding the challenges each face and the complications and rewards of collaboration for solution building. Encourage the development of more systematic and credible approaches to stakeholder management (by both NGOs and business, and in collaboration with one another where appropriate) and maximizing net sustainable value added.

Specific Recommendations

- Support research of international best practices on NGO accountability and stakeholder engagement. Promote Canadian leadership examples where possible.
- Encourage collaborative efforts with business to identify pilot projects to grow mutual understanding and benefits, capacity building and experience to help shape systematic and credible processes and management systems.
- Include NGOs in international business conferences and national forums.

Appendix I. Guiding Questions for Consultations

A. What do you see as the positive contributions of Canadian corporations in emerging economies, particularly in reference to citizen engagement and democratic development:

A.1. What is the positive contributions of Canadian corporations in emerging economies: economically, environmentally, and socially?

A.2. What in particular is the positive contribution of Canadian corporations to democratic development and citizen participation in the non-democratic or newly democratic nations where they operate?

A.3. What, if any, are the overall competitive advantages of Canadian companies vis-à-vis foreign firms in this field?

Suggestions for improvements to Canada's foreign policy to support corporate activity:

B.1. In what ways does the implementation of Canada's foreign policy support the positive contributions of Canadian companies, or support those companies who contribute to Canada's foreign policy goals?

B.2. What are the weaknesses of Canadian foreign policy in this regard?

B.3. How can Canada's foreign policy be enhanced to: 1) support companies active in meeting a broad range of corporate responsibilities, and 2) act as a catalyst for other companies to do the same? More specifically:

Are there areas of policy research or specific initiatives that the government might undertake to assist the private sector in developing appropriate CSR (corporate social responsibility) mechanisms, for example, the development of a "guide for Canadian companies operating overseas"? Could Canada's overseas missions play a role?

On certain vexed issues, such as the role of businesses in conflict prevention and the promotion of good governance, is there, and what might be an effective role for governments, and/or alternatively, the international community?

Should the federal government take the lead in initiating policies which would make the observance of certain CSR guidelines a condition for business participation in government-initiated activities such as Team Canada visits, government contracts?

Should CSR considerations be included in trade negotiations and/or agreements?

Should the federal government be working with international organizations to develop voluntary codes of conduct for business that can be promoted internationally?

What is the role of other partners and stakeholders in CSR initiatives? Is there a useful role for government in fostering business-public interest partnerships?

B.4. What role, if any, can corporate initiatives such as the International Code of Ethics for Canadian Business, Sustainability or Triple Bottom Line management systems and reporting play in such efforts, and within what corresponding government framework?

What is the significance for business operations of having an industry-wide or country-specific company code? Are these mechanisms helpful and/or useful in terms of actual operations on the ground?

B.5. How can Canadian competitive advantages in this field be further supported?

APPENDIX II – List of Participants

Calgary Roundtable:
Host: Canadian Occidental Petroleum Ltd.
Alberta Economic Development
Alberta Energy Company Ltd.
Canadian Manufacturers and Exporters
Davnor Water Treatment Technologies Ltd.
Enbridge International
Export Development Corporation
Komex Environmental Ltd.
PLAN:NET (CADVision Development Corporation)
Talisman Energy Inc.
University of Calgary CARA Project

Vancouver Roundtable:
Host: Placer Dome Exploration
BC Hydro International ltd.
Canada Asia Network
Capilano College
CoDevelopment Canada
Golder Associates
Mountain Equipment Co-op

Interviews:
Bata Shoe Organization
Bell Canada Enterprises Inc.
Canadian Council for International Co-operation
Dow Chemicals Company
Falconbridge Limited
Hatfield Consultants Ltd.
Inco Ltd.
KPMG International
Noranda Inc.
Nortel Networks Limited
Petro Canada
Pollutech Environmental Limited
Rio Algom Limited
Tiomin Resources Inc.

Canadian Centre for Foreign Policy Development

Centre canadien pour le développement de la politique étrangère

[illegible] Sussex Dr. Ottawa, Ontario K1A 0G2

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Tel: (613) 9[illegible]-8278

Internet address: http://www.ccfpd.ca Fax: (613) 9[illegible]

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